

**CITY OF LEWES**  
**AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**CITY OF LEWES  
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FOR THE YEAR ENDED JUNE 30, 2006**

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DAVID R. URIAN, CPA  
DAVID C. DOANE, CPA  
CHARLES H. STERNER, JR. CPA, CVA  
SHELDON L. FORNEY, CPA  
JAY M. STEVENS, CPA, PFS  
ROGER R. REED, CPA  
ELAINE E. GRAVES, CPA

TRUITT W. JEFFERSON, CPA, DIRECTOR  
RETIRED

ANITA Y. SMITH, MEd, DIRECTOR

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

City of Lewes  
114 East Third Street  
Lewes, Delaware

We have performed the procedures enumerated below, which were agreed to by City of Lewes and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the City's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2006 on Page 4. The City of Lewes' Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over municipal street aid grant funds from discussion with management and report internal control weaknesses.

During completion of the program checklist, no internal control weaknesses over the municipal street aid grant funds were noted.

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the City's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2006. Detail any instances of noncompliance.

**FINDING NO. 06-1** - During completion of the City of Lewes' program checklist for the police pension grant, it was noted that the City did not file the "Registration for Police Pension Fund Benefits" report to the State Treasurer by the April 1 deadline as required by State regulations [18 Del. C. §709(a)]. Noncompliance with application deadlines could jeopardize the grant award to the City.

**RECOMMENDATION** - The City should establish a written schedule to ensure the report "Registration for Police Pension Fund Benefits" is filed on or before April 1 each year.

**CITY'S PLAN FOR CORRECTIVE ACTION:**

*"In order to file this report timely in the future, the City of Lewes plans on indicating the due date of such report on an internally maintained calendar."*

FINDING NO. 06-2 - During completion of the City of Lewes' program checklist for the Police Pension grant, it was noted that the City did not submit to the State Board of Pension Trustees by April 1, a listing of retired police officers receiving benefits from the City as of December 31 of the preceding year, excluding those receiving benefits from the State of Delaware County and Municipal Police Pension Plan, as required by State regulations [18 Del. C. §709(b)]. The State Board of Pension Trustees has not requested this information from the City or provided a format for the City to submit this information to them. Failure to comply could result in the loss of grant funding.

RECOMMENDATION - The City should provide mandated information regarding retired police officers receiving benefits to the State Board of Pension Trustees by April 1 of each year.

CITY'S PLAN FOR CORRECTIVE ACTION:

*"The State Board of Pension Trustees did not request the information noted in the finding on the current year police pension grant application. The City was unaware of the requirement to submit this information to the State Board of Pension Trustees. The City will provide information requested by the State of Delaware."*

FINDING NO. 06-3 - During completion of the City of Lewes' program checklist for the State Aid to Local Law Enforcement (SALLE) and Emergency Illegal Drug Enforcement (EIDE), it was noted that the City had not maintained the certificates of completion of training and education courses at an approved school for 4 of the 5 police officers tested. All City police officers are required to successfully complete the required police training and education course at an approved school [11 Del. C. §8405(a)]. Failure to comply could result in the loss of grant funding.

RECOMMENDATION - The City should obtain and keep on file the training certificates earned by the officers.

CITY'S PLAN FOR CORRECTIVE ACTION:

*"The City is in the process of correcting this finding by obtaining completion certificates for those officers currently employed by the City. Additionally, the City will more strictly enforce the policy of receiving these certificates prior to the official start date of new certified employees or upon successful completion of the Delaware State Police Training Academy or State of Delaware approved certified training equivalent for recruits."*

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts and violations of provisions of contracts or grant agreements and abuse or misuse of state funds were noted.

4. Prepare the City's Schedule of Municipal Grants received during the year ended June 30, 2006.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the City's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the City of Lewes' Management and Council Members, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

*Jefferson, Ulan, Doane & Starnes, P.A.*

Georgetown, Delaware  
November 27, 2006

**CITY OF LEWES**  
**SCHEDULE OF MUNICIPAL GRANTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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<u>Grants</u>	<u>Amounts Received</u>
Municipal Street Aid	\$ 104,458.74
Police Pension	59,698.85
State Aid to Local Law Enforcement	8,390.73
Emergency Illegal Drug Enforcement	5,799.43

See independent accountant's report on applying agreed-upon procedures.